

# North Dakota Corporation Income Tax Return

# 2001 Form 40

CHECK ☐ **Calendar Year** January 1, 2001, through December 31, 2001  
ONE: ☐ **Fiscal Year** beginning \_\_\_\_\_, 2001 and ending \_\_\_\_\_, \_\_\_\_\_

L01

<b>Is an extension attached?</b> ➤ Yes <input type="checkbox"/> No <input type="checkbox"/>		<b>Please Use Mailing Label (If none, type or print)</b>		Federal employer identification no. _____	
Name _____		Mailing address _____		Is this a farming or ranching corporation? ➤ Yes <input type="checkbox"/> No <input type="checkbox"/>	
Date of incorporation _____		City, State, Zip Code _____		Business code (from federal return) _____	
Final return ➤ Yes <input type="checkbox"/> No <input type="checkbox"/>		Phone number _____		➤	

## Computation of tax liability

1 Income from (See instructions on page 3 before checking appropriate box):						<b>Round off to dollars</b>	
➤ a. <input type="checkbox"/>	b. <input type="checkbox"/>	b1. <input type="checkbox"/>	b2. <input type="checkbox"/>	c. <input type="checkbox"/>	d. <input type="checkbox"/>	(LA)	1 _____
Single Corporate Entity Combined Report Method 100% North Dakota Consolidated Return Apportioning Corp Consolidated Return Water's Edge Method Other						(LB)	2 _____
2 Total additions (Enter amount from Schedule SA, line 7) .....						(LC)	3 _____
3 Total subtractions (Enter amount from Schedule SA, line 17) .....						(LE)	5 - - - - -
4 North Dakota apportionable income (Subtract line 3 from the sum of lines 1 and 2 - See instr. on page 4)						(LF)	7 _____
5 Apportionment Factor (See instructions on page 4) .....						(LG)	8 _____
6 Income apportioned to North Dakota (line 4 multiplied by line 5) .....						(AJ)	9 _____
7 Income allocated to North Dakota _____ less related expenses _____						(CL)	10 _____
8 North Dakota income (Add lines 6 and 7) .....						(RE)	11 _____
9 Federal tax deduction (See instructions on page 4) .....							
10 Exemption for new and expanding business (See instructions on page 4) .....							
11 Renaissance zone income exemption (See instructions on page 4) .....							
12 ND income after federal tax deduction and income exemptions (Subtract lns. 9, 10 and 11 from ln. 8)							
If the amount on line 12 is a loss, to forego the carryback period, check the box in Question 10, page 2							
13 North Dakota loss carryforward (Attach worksheet - See instructions on page 4) .....						(LH)	13 _____
14 Balance (Subtract line 13 from line 12) .....							14 _____
15 Recapture of federal alternative minimum tax (See instructions on page 4) .....						(AN)	15 _____
16 North Dakota taxable income (Subtract line 15 from line 14) .....						(LI)	16 _____
17 Income tax due (See rates below) (Corp. filing a consol. return, enter amt. from Sch. CR, part I, ln. 17a)						(LJ)	17 _____

## Tax credits

18 Tax credits (Enter amount from Schedule TC, line 11) .....	(AZ)	18 _____
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## Balance due or overpayment

19 Net income tax liability (Subtract line 18 from line 17) .....		19 _____
20 2001 Estimated income tax payments and payment with extension (See instructions on page 4) .....	(LN)	20 _____
21 If line 19 is greater than line 20, enter difference as <b>BALANCE DUE</b> (Enter \$0 if less than \$5) .....	(LR)	21 _____
a. Interest and penalty for Balance Due on line 21 (See instructions on page 4) .....	(LQ)	21a _____
b. Total <b>Payment Due</b> (Add lines 21 and 21a - Pay to North Dakota State Tax Commissioner) .....		21b _____
If payment is to be made by Electronic Funds Transfer, check this box <input type="checkbox"/> and enter date of payment _____.		
22 If line 20 is greater than line 19, enter difference as <b>OVERPAYMENT</b> (Enter \$0 if less than \$5) .....	(LV)	22 _____
a. Amt. of line 22 to be credited to 2002 est. tax (Min. \$5) (Apply to quarter 1st 2nd 3rd 4th) .....	(AI)	22a _____
b. Amount of line 22 to be <b>Refunded</b> (Subtract line 22a from line 22. No refund under \$5) .....		22b _____

I declare under the penalties of North Dakota Century Code § 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct, and complete return.

Date: \_\_\_\_\_ Signature of Officer: \_\_\_\_\_ Title: \_\_\_\_\_

Date: \_\_\_\_\_ Signature of Preparer: \_\_\_\_\_ Address: \_\_\_\_\_

Mail to: Office of State Tax Commissioner, 600 E. Boulevard Avenue, Bismarck, North Dakota 58505-0599.

## Tax Rate Table

If the amount on Line 16 is not over \$3,000 .....	3%
\$ 3,000 to \$ 8,000 .....	\$ 90.00 plus 4.50% of excess over \$ 3,000
\$ 8,000 to \$20,000 .....	\$ 315.00 plus 6.00% of excess over \$ 8,000
\$20,000 to \$30,000 .....	\$1,035.00 plus 7.50% of excess over \$20,000
\$30,000 to \$50,000 .....	\$1,785.00 plus 9.00% of excess over \$30,000
Over \$50,000 .....	\$3,585.00 plus 10.50% of excess over \$50,000

"Buy North Dakota Products"

PLEASE DO NOT WRITE IN THIS SPACE

Name as shown on return

Federal employer I.D.

# Schedule FACT: Apportionment factor for nonfinancial corporations not filing a consolidated state return

(If filing a consolidated N. D. return, use Schedule CR, part II. Do not use this schedule.)

	1. Total	2. North Dakota	3. Factor
Property Factor: Average value at original cost of real and tangible personal property used in the business. (Exclude value of construction in progress)			
1 Inventories .....	1		(Use 6-digit decimal only)
2 Buildings and other fixed depreciable assets .....	2		
3 Depletable assets .....	3		(Column 2 divided by Column 1 = Column 3)
4 Land .....	4		
5 Other assets (Detail) .....	5		
6 Rented Property (Annual rental capitalized x 8) .....	6		
7 Total Property (Add lines 1 through 6) .....	7	(BA)	(BB) _ _ _ _ _
Payroll Factor:			
8 Wages, salaries, commissions and other compensation of employees which were included in the Federal Form 1120, or Federal Form 1120-A. (If the amount reported in Column (2) does not agree with the total compensation reported for North Dakota unemployment insurance purposes, attach an explanation) .....	8	(BC)	(BD) _ _ _ _ _
Sales Factor:			
9 Gross receipts or sales, less returns and allowances (Federal Form 1120 or Federal Form 1120-A, line 1c) .....	9		
10 Sales delivered or shipped to North Dakota destinations .....		10	
11 Sales shipped from North Dakota to:			
(a) The United States Government .....		11a	
(b) Purchasers in a state or foreign country where the taxpayer was not subject to a net income tax or a tax measured by net income or, if subject, did not actually pay such tax .....		11b	
12 Total sales (Add lines 9 through 11) .....	12	(BE)	(BF) _ _ _ _ _
13 Sum of factors (Add lines 7, 8 and 12) .....			13 _ _ _ _ _
14 Divide line 13 by the number of factors having an amount greater than zero in column 1, on lines 7, 8 and 12 .....			14 (BG) _ _ _ _ _

## The following questions must be answered

YES NO

- 1 Has the IRS issued a Final Determination which affects any previously filed North Dakota return? ➤ 1 \_\_\_\_\_
- 2 If the answer to the above question is yes, have all such adjustments been reported to North Dakota? ➤ 2 \_\_\_\_\_
- 3 Has Form 1120S been filed for federal purposes? If yes, file North Dakota Form 60, not a North Dakota Form 40 .... ➤ 3 \_\_\_\_\_
- 4 Is this return for a tax-exempt organization required to report unrelated business taxable income? ➤ 4 \_\_\_\_\_
- 5 Has this corporation filed as a cooperative, a Foreign Sales Corporation, or a Domestic International Sales Corporation for federal purposes? ➤ 5 \_\_\_\_\_
- 6 Does this corporation use the combined report method in any other states? If yes, attach a worksheet showing all states where the combined report method is used ..... ➤ 6 \_\_\_\_\_
- 7 Does this corporation file its federal income tax return as a member of a consolidated group? If yes, **please enter the Federal Employer I.D. No. under which the consolidated return is filed.** ➤ (AM) \_ \_ \_ \_ \_ ➤ 7 \_\_\_\_\_
- 8 Does the numerator of the apportionment factor include the property, payroll or sales of more than one corporation required to file in this state? If yes, Schedule CR must be completed and attached to the return ..... ➤ 8 \_\_\_\_\_
- 9 Is this a limited liability company? ..... ➤ 9 \_\_\_\_\_
- 10 If this corporation has a loss on Form 40, line 12, and is electing to forego the carryback period, check the box.  
**Failure to check the box requires the loss to be carried back.** ..... ➤ 10 ☐
- 11 Is this a Renaissance Fund Organization for purposes of N.D.C.C. ch. 40-63, Renaissance Zones? ..... ➤ 11 \_\_\_\_\_
- 12 Has this corporation changed names, been involved in a merger, reorganization or takeover during this taxable year? If so provide former name and details of change. \_\_\_\_\_  
(former name)

Name as shown on return

Federal employer I.D.

**Schedule SA: Statutory adjustments***(See tax booklet for instructions)***Additions**

- 1 Federal net operating loss deduction (Federal Form 1120, line 29a or Federal Form 1120-A, line 25a) ..... (CA) 1 \_\_\_\_\_
- 2 Special deductions (Federal Form 1120, line 29b or Federal Form 1120-A, line 25b) ..... (CB) 2 \_\_\_\_\_
- 3 All income taxes, franchise or privilege taxes measured by income, which were deducted to determine federal taxable income (See instructions on page 5) ..... (CC) 3 \_\_\_\_\_
- 4 North Dakota depreciation adjustment (See instructions on page 5) ..... (CE) 4 \_\_\_\_\_
- 5 Interest on state and local obligations (Excluding North Dakota obligations) ..... (CF) 5 \_\_\_\_\_
- 6 Other additions (Attach worksheet - See instructions on page 5) ..... (CG) 6 \_\_\_\_\_
- 7 Total additions (Add lines 1 through 6. Enter amount here and on page 1, line 2) ..... 7 \_\_\_\_\_

**Subtractions**

- 8 Tax refunds received in 2001 (Attach worksheet - See instructions on page 5) ..... (CH) 8 \_\_\_\_\_
- 9 Interest on United States obligations ..... (CI) 9 \_\_\_\_\_
- 10 North Dakota depreciation adjustment (See instructions on page 5) ..... (CJ) 10 \_\_\_\_\_
- 11 Allocable income (Attach worksheet - See instructions on page 5) ..... (LS) 11 \_\_\_\_\_
- 12 Related expenses (Attach worksheet - See instructions on page 5) ..... (LT) 12 \_\_\_\_\_
- 13 Balance (Subtract line 12 from line 11) ..... (LD) 13 \_\_\_\_\_
- 14 Interest on bonds issued by a regional railway authority in North Dakota ..... (CM) 14 \_\_\_\_\_
- 15 North Dakota domestic dividend exclusion (See instructions on page 5) ..... (CN) 15 \_\_\_\_\_
- 16 Other subtractions (Attach worksheet - See instructions on page 5) ..... (CO) 16 \_\_\_\_\_
- 17 Total subtractions (Add lines 8, 9, 10, 13, 14, 15, and 16. Enter amount here and on page 1, line 3) ..... 17 \_\_\_\_\_

**Schedule FTD: Federal income tax deduction***(Use 6-digit decimal only)**(Complete lines 1-8 of Form 40, page 1 before completing this schedule)**(See tax booklet for instructions)**(Corporations filing a consolidated North Dakota return, use Schedule CR, part III. Do not complete this schedule.)*

- 1 Federal income tax liability (See instructions on page 6) ..... (EA) 1 \_\_\_\_\_
- 1a Federal alternative minimum tax liability (See instructions on page 6) ..... (EG) 1a \_\_\_\_\_
- 1b Adjusted federal income tax liability (Subtract line 1a from line 1) ..... 1b \_\_\_\_\_
- 2 Separate company(ies) federal income tax liability (Attach worksheet - See instructions on page 6) ..... 2 \_\_\_\_\_
- 3 Profit companies federal income tax liability (Attach worksheet - See instructions on page 6 or 7) ..... 3 \_\_\_\_\_
- 4 Ratio: (Divide line 2 by line 3. Not to exceed 1.000000) ..... 4 - - - - -
- 5 Separate company(ies) share of federal income tax liability (Multiply line 1b by line 4) ..... (EB) 5 \_\_\_\_\_
- 6 Federal taxable income (Attach worksheet - See instructions on page 6 or 7) ..... 6 \_\_\_\_\_
- 7 Income not taxable to North Dakota (See instructions on page 6 or 7) ..... 7 \_\_\_\_\_
- 8 Balance (Subtract line 7 from line 6) ..... 8 \_\_\_\_\_
- 9 Ratio: (Divide line 8 by line 6. Not to exceed 1.000000) ..... 9 - - - - -
- 10 Federal tax on federal taxable income reportable to North Dakota: (Multiply line 5 by line 9) ..... (CK) 10 \_\_\_\_\_

**Corporations using the combined report method and claiming a federal foreign tax credit****skip line 11 and use lines 12 - 16. Other corporations must use line 11.**

- 11 North Dakota apportionment factor (Enter amount from page 1, line 5 and go to line 17 - See instructions on page 6 or 7) ..... 11 - - - - -
- 12 North Dakota income (Enter amount from page 1, line 8) ..... 12 \_\_\_\_\_  
*(If zero or less, skip lines 13 through 16).*
- 13 Total income (See instructions on page 7) ..... 13 \_\_\_\_\_  
*(If zero or less, skip lines 14 through 16).*
- 14 Income relating to Foreign Tax Credit (See instructions on page 7) ..... 14 \_\_\_\_\_  
*(If zero, skip lines 15 and 16).*
- 15 Income relating to federal income tax paid (Subtract line 14 from line 13) ..... 15 \_\_\_\_\_  
*(If zero or less, skip line 16).*
- 16 Federal income tax ratio (Divide line 12 by line 15 and go to line 17. Not to exceed 1.000000) ..... (EC) 16 - - - - -
- 17 Federal tax deduction (Multiply line 10 by either line 11 or line 16. Enter amount here and on page 1, line 9) ..... (ED) 17 \_\_\_\_\_

**Complete line 11 - or line 16 - but not both**

Name as shown on return

Federal employer I.D.

## Schedule AMT-R: Recapture and carryforward of federal alternative minimum tax

(See tax booklet for instructions)

(Corporations filing a consolidated North Dakota return, use Schedule CR, part IV. Do not complete this schedule.)

(Use 6-digit decimal only)

1	2001 Federal alternative minimum tax (Enter amount from Form 40, Schedule FTD, line 1a) .....	1	_____
2	Ratio from Form 40, Schedule FTD, line 4, if no ratio on line 4, enter 1.000000 .....	2	— — — — —
3	Multiply line 1 by line 2 .....	3	_____
4	Ratio from Form 40, Schedule FTD, line 9 .....	4	— — — — —
5	Multiply line 3 by line 4 .....	5	_____
6	Ratio from Form 40, Schedule FTD, line 11, or Form 40, Schedule FTD, line 16, whichever is applicable .....	6	— — — — —
7	Multiply line 5 by line 6 .....	7	_____
8	Carryforward of federal AMT disallowed (Enter amount from 2000 Form 40, Schedule AMT-R, line 12) .....	8	_____
9	Total federal AMT disallowed (Add lines 7 and 8) .....	9	_____

Corporations claiming a federal credit for prior year minimum tax on the 2001 federal return complete lines 10-12.  
Other corporations enter the amount from line 9 on line 12.

10	Enter the amount from the 2001 Form 40, page 1, line 14 .....	10	_____
11	If line 10 is zero or less enter zero here and on the 2001 Form 40, page 1, line 15, otherwise, enter the smaller of line 9 or line 10 here and on the 2001 Form 40, page 1, line 15 .....	11	_____
12	Available carryforward of federal AMT disallowed (Subtract line 11 from line 9 if completing lines 10 and 11) .....	(RA) 12	_____

## Schedule TC: Tax credits

(See tax booklet for instructions - attach complete documentation)

1	Credit for contributions to nonprofit private colleges (See instructions on page 7) .....	(LK) 1	_____
2	Credit for contributions to nonprofit private high schools (See instructions on page 7) .....	(LL) 2	_____
3	Venture capital corporation credit (See instructions on page 7) .....	(LU) 3	_____
4	North Dakota Small Business Investment Company (See instructions on page 8) .....	(LW) 4	_____
5	Geothermal, solar or wind energy device tax credit (Attach worksheet - See instructions on page 8) .....	(LM) 5	_____
6	Credit for employment of the developmentally disabled or chronically mentally ill (See instructions on page 8) .....	(LX) 6	_____
7	Credit for research and experimental expenditures within North Dakota (See instructions on page 8) .....	(LY) 7	_____
8	Tax credit for new industry (Attach worksheet - See instructions on page 8) .....	(AK) 8	_____
9	Credit for payment to a certified nonprofit development corporation (See instructions on page 8) .....	(AG) 9	_____
10	Renaissance zone tax credit(s) (Enter amount from Schedule RZ) .....	(RC) 10	_____
11	Total tax credits (Add lines 1 through 10. Enter amount here and on page 1, line 18) .....	11	_____

## Schedule FACT-1: Apportionment factor for financial organizations

(Financial Institutions as defined in North Dakota Century Code ch. 57-35.3 must not use Form 40, or this schedule.)

(Financial Institutions must file North Dakota Form 35.)

1. Total

2. North Dakota

3. Factor

(Column 2 divided by Column 1 = Column 3)

Property Factor: (Average value at original cost)

1	Tangible property held and owned for business use .....	1	_____	(AA)	_____	(AB)	— — — — —
Business Factor:							
2	Wages and salaries paid for services performed .....	2	_____				
3	Receipts from sales and other business sources as defined in N.D.C.C. § 57-38-13(6) .....	3	_____				(Use 6-digit decimal only)
4	Total (Add lines 2 and 3) .....	4	_____	(AC)	_____	(AD)	— — — — —
5	Sum of North Dakota property and business factors (Add lines 1 and 4) .....	5	_____				
6	One-Half Of Line 5 (Enter factor here and on page 1, line 5) .....	6	_____	(AE)	_____		

Name as shown on return

Federal employer I.D.

**Schedule WW: Combined report method income schedule**

See specific line instruction for lines 1, 5, 6, 8, and 9.

1	Federal taxable income (consolidated Federal Form 1120, line 30) .....	(LA) 1	_____
2	Taxable income or loss included on line 1 from <b>nonunitary</b> corporations (Attach worksheet) .....	(WN) 2	_____
3	Balance (Subtract line 2 from line 1) .....	3	_____
4	Taxable income or loss not included on line 1 from <b>unitary</b> corporations required to file a federal income tax return (Attach worksheet) .....	(WU) 4	_____
5	Book income before income taxes of unitary foreign corporations (Attach worksheet) .....	5	_____
6	Optional: Book to tax reconciliation (Attach worksheet) .....	6	_____
7	Subtotal (Add lines 5 and 6) .....	(WF) 7	_____
8	Income or loss from Interest Charge DISC (Attach worksheet) .....	8	_____
9	Income or loss from Foreign Sales Corporations (Attach worksheet) .....	9	_____
10	Subtotal (Add lines 8 and 9) .....	10	_____
11	Income or loss from Internal Revenue Code of 1986, as amended, Section 936 Possession Corporations .....	11	_____
12	Intercompany eliminations for members of the unitary group (Attach worksheet) .....	12	_____
13	Total income (Add lines 3, 4, 7, 10 and 11 then subtract line 12. Enter amount here and on Form 40, page 1, line 1, and check the appropriate box on Form 40, page 1, line 1) .....	(WW) 13	_____

**Combined report method instructions**

An apportioning corporation, see **method of corporation taxation** on page 2 of General Instructions, which is a member of a unitary group but has not elected the water's edge method is required to file its North Dakota income tax return using the combined report method.

A "unitary group" is a group of affiliated corporations engaged in a unitary business, irrespective of the country or countries in

which the corporations conduct business activity.

An "affiliated corporation" means a parent corporation and any corporation of which more than fifty percent of the voting stock is owned directly or indirectly by the parent corporation or another member of the unitary group.

Two or more 100% North Dakota corporations affiliated as parent and

subsidiary, and filing a consolidated federal tax return must file one consolidated North Dakota return using the "combined report method."

A corporation filing its North Dakota income tax return using the combined report method must include only the apportionment factors and statutory adjustments of the group.

Corporations completing Schedule CR must also complete Schedule WW to arrive at "total income."

**Schedule WW specific line instructions**

**Line 1.** Enter the amount from line 30 of the consolidated Federal Form 1120. If more than one consolidated federal return is filed, enter the total of lines 30 of the consolidated Federal Form 1120's. If a consolidated federal return is not filed, enter zero on lines 1 and 2 then proceed to line 4.

**Line 5.** Enter the amount of book income before income taxes of all unitary foreign

corporations not eligible to be included in the consolidated federal income tax return or not required to file a federal income tax return.

**Line 6.** N.D. Admin. Code ch. 81-03-05.3 provides a choice either to adjust or not adjust the book income of all unitary foreign corporations to conform with the Internal Revenue Code of 1986, as amended. If a corporation chooses to make the book to tax adjustments, the adjustments must be

made for all unitary foreign corporations and the total of such adjustments must be entered on line 6. If a corporation chooses not to make the book to tax adjustments, enter \$0 on line 6.

**Lines 8 and 9.** Enter all exempt and nonexempt income before income taxes from the Federal Form 1120-IC-DISC or Federal Form 1120-FSC.

Name as shown on return

Federal employer I.D.

**Schedule WE: Water's edge method income schedule**

1	Federal taxable income (consolidated Federal Form 1120, line 30) .....	(LA) 1	_____
2	Income or loss not included in line 1 from affiliated corporations required to file a federal income tax return .....	2	_____
3	Reversal of intercompany eliminations between water's edge corporations and non-water's edge corporations (Attach worksheet - See instructions below) .....	3	_____
4	Intercompany eliminations for water's edge group corporations .....	4	_____
5	Total foreign dividends included in line 1 .....	5	_____
6	Taxable income or loss included in line 1 or 2 from 80/20 corps. ....	6	_____
7	Balance (Add lines 1, 2 and 3 then subtract lines 4, 5 and 6) .....	7	_____
8	Foreign dividends to be included in water's edge income (Multiply line 5 by 30%) (See general definitions and enter amount on line 8) .....	8	_____
9	Total net book income of 80/20 corporations (Attach worksheet) .....	9	_____
10	Net book income of 80/20 corporations to be included in water's edge income (Multiply line 9 by 30%) .....	10	_____
11	Total water's edge income (Add lines 7, 8 and 10. Enter amount here and on page 1, line 1, and check the box entitled "Water's Edge Method.") .....	(WE) 11	_____

**Worksheets containing details of lines 2, 3, 4 and 5 are required**

**Water's edge method election instructions**

A corporation required to file its North Dakota return using the worldwide unitary combined report method must do so unless it elects to apportion its income using the water's edge method.

A corporation elects and maintains the water's edge method election by checking the box entitled "Water's Edge Method" on page 1, line 1, and completing Schedule WE.

A corporation electing the water's edge method must comply with all of the following:

- The election must be made on the return as originally and timely filed;
- The corporation may not reduce taxable income for federal taxes deducted under N.D.C.C. § 57-38-01.3(1)(c);
- The water's edge election is binding for five consecutive taxable years upon making the election; and
- The corporation must file with the Tax Commissioner a domestic disclosure spreadsheet the first year the property, payroll, or sales in foreign countries exceed ten million dollars and total assets exceed two hundred fifty million dollars, and every third year thereafter provided the property, payroll, or sales in foreign countries exceed ten million dollars and total assets exceed two hundred fifty million dollars. The

domestic disclosure spreadsheet must be filed by a corporation with its North Dakota income tax return. However, if the information is not available when the return is filed, a corporation may file the spreadsheet within six months after the due date of the return, including any extensions. The form for complying with the spreadsheet requirement must be obtained from the Office of State Tax Commissioner.

A corporation electing the water's edge method must include only the apportionment factors and statutory adjustments of the water's edge group.

**Schedule WE general definitions**

**"Water's edge group"** includes affiliated corporations incorporated in the U.S., excluding 80/20 corporations, affiliated corporations incorporated in a possession of the U.S., DISCs, FSCs, export trade corporations and foreign affiliated corporations which meet a defined minimum of U.S. activity.

**"Affiliated corporation"** means a parent corporation and any corporation of which more than fifty percent of the voting stock is owned directly or indirectly by the parent corporation or another member of the water's edge group.

**"Reversal of intercompany eliminations between water's edge corporations and 80/20 corporations"** means the reversal of eliminations made between water's edge corporations and 80/20 corporations that are included in the federal consolidated return. Dividends, interest, royalties, capital gains and losses, intercompany profit on sales,

etc. between water's edge corporations and 80/20 corporations that have been eliminated in preparing the consolidated federal return must be reversed.

**"Intercompany eliminations for water's edge group corporations"** are eliminations of intercompany transactions between companies included in line 1 and companies included in line 2.

**"80/20 corporation"** is a corporation that is incorporated in the U.S., is eligible to be included in the federal consolidated return as defined in N.D.C.C. § 57-38.4-01(5) and has eighty percent of its average property and payroll assigned to locations in foreign countries.

**"Foreign dividends"** means any dividend received by a member of the water's edge group from any affiliated corporation incorporated outside the fifty states and District of Columbia, including amounts

included in income computed under sections 951 through 954 of the Internal Revenue Code of 1986, as amended.

**"Net book income of an 80/20 corporation"** means net book income for financial statement purposes. However, a corporation's net book income cannot be offset by a net book loss from another 80/20 corporation.

**"Rescission of a water's edge election"**. A corporation's water's edge election is rescinded if:

- It has had more than 50% of its voting stock acquired by a nonaffiliated corporation;
- It was formed as the result of a reorganization or spinoff and is no longer a member of the water's edge group; or
- It is completely liquidated. The water's edge election of any corporation receiving liquidated assets is not affected.

Name as shown on return

Federal employer I.D.

## Schedule CR, Part I: Computation of tax due for corporations filing a North Dakota consolidated return using the combined report method

	Corporation	Name of corporation	Federal Employer I.D.
<b>Corporations having activity within North Dakota</b>	A	➤	➤
	B	➤	➤
	C	➤	➤

**Before starting part I of this schedule, complete lines 1-4 on Form 40, page 1**

		Corporation A	Corporation B	Corporation C
<b>4</b> North Dakota apportionable income (Enter amount in Columns A, B & C from Form 40, page 1, line 4) .....	<b>4</b>			
<b>5</b> Apportionment factor (Enter factor from part II, line 14) .....	<b>5</b>			
<b>6</b> Income apportioned to North Dakota (line 4 multiplied by line 5) .....	<b>6</b>			
<b>7</b> Income allocated to North Dakota \$ _____ less related expenses \$ _____	<b>7</b>			
<b>8</b> North Dakota income (Add lines 6 and 7) .....	<b>8</b>			
<b>9</b> Federal tax deduction (Enter amount from part III, line 17) .....	<b>9</b>			
<b>10</b> Exemption for new and expanding business (Attach worksheet - See instructions on page 4) .....	<b>10</b>			
<b>11</b> Renaissance zone income exemption (See instructions on page 4) .....	<b>11</b>			
<b>12</b> North Dakota income after federal tax deduction and income exemptions (Subtract lines 9, 10 and 11 from line 8) .....	<b>12</b>			
<b>If the amounts on line 12 are losses, to forego the carryback period, check the box in Question 10, on Form 40, page 2</b>				
<b>13</b> North Dakota loss carryforward (Attach worksheet - See instructions on page 4) .....	<b>13</b>			
<b>14</b> Balance (Subtract line 13 from line 12) .....	<b>14</b>			
<b>15</b> Recapture of federal alternative minimum tax (Enter amount from part IV, line 11) .....	<b>15</b>			
<b>16</b> North Dakota taxable income (Subtract line 15 from line 14) .....	<b>16</b>			
<b>17</b> Income Tax Due (See tax rate table on Form 40, page 1) .....	<b>17</b>			
<b>17a Total income tax due</b> (Add amounts on line 17, Columns A, B & C, and enter the total amount here and on Form 40, page 1, line 17 and complete lines 18 through 22, on Form 40) .....				

(GA) 17a \_\_\_\_\_

### Instructions for consolidated return using the combined report method

All corporations filing a consolidated North Dakota return, (i.e., those corporations checking either box b1 or box b2 on Form 40, page 1, line 1) must complete the four parts of Schedule CR and attach the completed schedule to Form 40 when filed.

On the top of this page, space has been provided for three corporations (corporations A, B & C) having activity within North Dakota. If space is needed for additional corporations having activity within North Dakota, additional copies of

Schedule CR can be obtained by photocopying all four parts of this original schedule or by requesting additional copies from the Office of State Tax Commissioner.

Complete Form 40, page 1, lines 1-4 before starting to complete Schedule CR, part I.

Schedule CR has been designed so the instructions for Form 40 in the booklet also apply to the line numbers on Schedule CR. For example, the instructions for Form 40, page 1, lines 4-17 also apply to Schedule CR, part I, lines 4-17.

After completing Schedule CR, part I, certain totals must be entered on Form 40. For each line 7, 9, 10, 11, 13 and 15, total the amounts for all corporations included on Schedule CR, part I. Enter the total from lines 7 onto line 7 of Form 40, page 1; enter the total from lines 9 onto line 9 of Form 40, page 1; enter the totals from lines 10 onto line 10 of Form 40, page 1; enter the total from lines 11 onto line 11 of Form 40, page 1; enter the total from lines 13 onto line 13 of Form 40, page 1; and enter the total from lines 15 onto line 15 of Form 40, page 1.

Name as shown on return

Federal employer I.D.

## Schedule CR, Part II: Computation of factor for corporations filing a North Dakota consolidated return using the combined report method

(Property Factor: Average value at original cost of real and tangible personal property used in the business)  
(Exclude value of construction in progress)

(Use 6-digit decimal only)

Average Property:	Everywhere Average Property of All Corporations Being Combined	Corporation A	North Dakota Corporation B	Average Property Corporation C
1 Inventories .....	1			
2 Buildings and other depreciable assets .....	2			
3 Depletable assets .....	3			
4 Land .....	4			
5 Other assets .....	5			
6 Rented property (annual rental capitalized x 8) .....	6			
7 Total average property (Add lines 1 through 6) .....	7			
7a Property factor (Divide N.D. Total Average Property by Total Everywhere Average Property) ..... 7a				
7b Total property factor (Add amounts on line 7a, columns A, B & C) ..... (BB) 7b				

### Payroll Factor: Wages, salaries, commissions and other compensation

	Everywhere Payroll All Corporations Being Combined	Corporation A	North Dakota Payroll Corporation B	Corporation C
8 Payroll .....	8			
8a Payroll factor (Divide N.D. Payroll by Everywhere Payroll) .....	8a	— — — — —	— — — — —	— — — — —
8b Total payroll factor (Add amounts on line 8a, columns A, B & C) .....				(BD) 8b

### Sales Factor:

	Everywhere Sales All Corporations Being Combined	Corporation A	North Dakota Sales Corporation B	Corporation C
9 Everywhere sales .....	9			
10 Sales delivered or shipped to North Dakota destinations .....	10			
11 Sales shipped from North Dakota to:				
(a) The United States Government .....	11a			
(b) Purchasers in a state or foreign country where the taxpayer was not subject to a net income tax or a tax measured by net income, or if subject, did not actually pay such tax .....	11b			
(c) Total North Dakota Sales (Add lines 10, 11a and 11b) .....	11c			
12 Sales Factor (Divide Total N.D. Sales by Everywhere Sales) .....	12	— — — — —	— — — — —	— — — — —
12a Sales Factor (Add amounts on line 12, columns A, B & C) .....				(BF) 12a
13 Sum of the factors (Add lines 7a, 8a and 12) .....	13	— — — — —	— — — — —	— — — — —
14 Apportionment Factor (Divide line 13 by the number of factors having an amount greater than zero in the everywhere column, on lines 7, 8 and 9) (Enter factor here and on part I, line 5, and part III, line 11, if applicable) .....	14	— — — — —	— — — — —	— — — — —
14a Total Factor (Add amounts on lines 7b, 8b and 12a. Divide the sum by three, and enter the total amount here and on Form 40, page 1, line 5) .....				(BG) 14a

Name as shown on return

Federal employer I.D.

## Schedule CR, Part III: Computation of federal income tax deduction for corporations filing a North Dakota consolidated return using the combined report method

(Use 6-digit decimal only)

- 1 Federal income tax liability (See instructions on page 6)..... (EA) 1 \_\_\_\_\_
- 1a Federal alternative minimum tax liability (See instructions on page 6)..... (EG) 1a \_\_\_\_\_
- 1b Adjusted federal income tax liability (Subtract line 1a from line 1) ..... 1b \_\_\_\_\_
- 2 Separate company(ies) federal income tax liability (Attach worksheet - See instructions on page 6)..... 2 \_\_\_\_\_
- 3 Profit companies federal income tax liability (Attach worksheet - See instructions on page 6 or 7) ..... 3 \_\_\_\_\_
- 4 Ratio: (Divide line 2 by line 3. Not to exceed 1.000000) ..... 4 \_\_\_\_\_
- 5 Separate company(ies) share of federal income tax liability (Multiply line 1b by line 4)..... (EB) 5 \_\_\_\_\_
- 6 Federal taxable income (See instructions on page 6 or 7) ..... 6 \_\_\_\_\_
- 7 Income not taxable to North Dakota (See instructions on page 6 or 7) ..... 7 \_\_\_\_\_
- 8 Balance (Subtract line 7 from line 6) ..... 8 \_\_\_\_\_
- 9 Ratio: (Divide line 8 by line 6. Not to exceed 1.000000) ..... 9 \_\_\_\_\_

**Additional information regarding the filing of a consolidated North Dakota return using the combined report method is contained in North Dakota Century Code § 57-38-14(11) and North Dakota Administrative Code §§ 81-03-05.1-08, 81-03-05.2 and 81-03-05.3**

- |   | Corporation A | Corporation B | Corporation C |
|---|---------------|---------------|---------------|
| 10 Federal tax on federal taxable income reportable to North Dakota (Multiply line 5 by line 9) (Enter here and in Columns A, B & C)..... (CK) 10 _____ | _____         | _____         | _____         |

**Corporations using the combined report method and claiming a federal foreign tax credit, skip line 11 and use lines 12-16. Other corporations must use line 11.**

**Complete line 11 or line 16, but not both**

- |  |          |       |       |       |
|--|----------|-------|-------|-------|
| 11 North Dakota apportionment factor (Enter factor from part II, line 14) .....  | 11       | _____ | _____ | _____ |
| 12 North Dakota income (Enter amount from part I, line 8) (If zero or less, skip lines 13 through 16) .....  | 12       | _____ | _____ | _____ |
| 13 Total income (See instructions on page 7) (If zero or less, skip lines 14 through 16) .....   | 13       | _____ | _____ | _____ |
| 14 Income relating to foreign tax credit (See instructions on page 7) (If zero, skip lines 15 and 16) .....  | 14       | _____ | _____ | _____ |
| 15 Income relating to federal income tax paid (Subtract line 14 from line 13) (If zero or less, skip line 16) .....                                    | 15       | _____ | _____ | _____ |
| 16 Federal income tax ratio (Divide line 12 by line 15 and go to line 17. Not to exceed 1.000000) .....  | 16       | _____ | _____ | _____ |
| 16a Total federal income tax ratio (Add amounts on line 16, columns A, B & C) .....  | (EC) 16a | _____ | _____ | _____ |
| 17 Federal income tax deduction (Multiply line 10 by either line 11 or line 16) .....  | 17       | _____ | _____ | _____ |
| 17a Total federal income tax deduction (Add amounts on line 17, columns A, B & C and enter the total amount here and on Form 40, page 1, line 9) ..... | (ED) 17a | _____ | _____ | _____ |

### Instructions For Schedule CR, Part III

Schedule CR, part III has been designed so the instructions for Form 40, Schedule FTD

under "Combined Report Method" in the booklet also apply to the line numbers on Schedule CR, part III.

After completing Schedule CR, part III, the total from line 17a must be entered on Form 40, page 1, line 9.

Name as shown on return

Federal employer I.D.

## Schedule CR, Part IV: Computation of recapture and carryforward of federal AMT disallowed for corporations filing a North Dakota consolidated return using the combined report method

(Use 6-digit decimal only)

<b>1</b> 2001 Federal alternative minimum tax (AMT) <i>(Enter amount from Schedule CR, part III, line 1a) .....</i>	<b>1</b>			
<b>2</b> Ratio from Schedule CR, part III, line 4, if no ratio on line 4, enter 1.000000 .....	<b>2</b>	- - - - -		
<b>3</b> Multiply line 1 by line 2 .....	<b>3</b>			
<b>4</b> Ratio from Schedule CR, part III, line 9 .....	<b>4</b>	- - - - -	<b>Corporation A</b>	<b>Corporation B</b>
<b>5</b> Multiply line 3 by line 4 .....	<b>5</b>			
<b>6</b> N.D. apportionment factor <i>(Enter factor from Sch. CR, part III, line 11 or line 16)</i> .....	<b>6</b>	- - - - -		
<b>7</b> Subtotal <i>(Multiply line 5 by line 6) .....</i>	<b>7</b>			
<b>8</b> Carryforward of previously disallowed federal AMT <i>(Attach worksheet) .....</i>	<b>8</b>			
<b>9</b> Total federal AMT disallowed <i>(Add lines 7 and 8) .....</i>	<b>9</b>			

**Corporations claiming a federal consolidated credit for prior year minimum tax on the 2001 federal return, complete lines 10-12. Other corporations enter the amount from line 9 on line 12.**

<b>10</b> Balance <i>(Enter amount from Schedule CR, part I, line 14) .....</i>	<b>10</b>			
<b>11</b> <b>Subtotal</b> <i>(If the amount on line 10 is zero or less, enter zero here and on part I, line 15) (If the amount on line 10 is greater than zero, enter the smaller of line 9 or 10 here and on part I, line 15) .....</i>	<b>11</b>			
<b>11a</b> Total recapture of federal AMT disallowed <i>(Add amounts on line 11, column A, B &amp; C and enter the total amount here and on Form 40, page 1, line 15) .....</i>			<b>11a</b>	
<b>12</b> Available carryforward of federal AMT disallowed <i>(Subtract line 11 from line 9 if completing lines 10 and 11) .....</i>	<b>12</b>			
<b>12a</b> Total available carryforward of federal AMT disallowed <i>(Add amounts on line 12, columns A, B &amp; C) .....</i>			<b>(RA) 12a</b>	

### Instructions for Schedule CR, part IV

Schedule CR, Part IV has been designed so the instructions for Form 40,

Schedule AMT-R in the booklet also apply to this part of Schedule CR.

After completing Schedule CR, Part IV the total from line 11a must be entered on Form 40, page 1, line 15.